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TO: PRIORITY DIRECTOR.

Declassified and  
Approved for Release  
July 2000

1. WE HAVE NOT NOTICED ANY SIGNIFICANT SHIFT IN [REDACTED] VIEWS CONCERNING SUPPORT TO THE [REDACTED] PRIVATE SECTOR. HE REMAINS UNENTHUSIASTIC ABOUT SUPPORTING THIS SECTOR BECAUSE OF HIS CONCERN THAT OUR FINANCIAL AID MIGHT ENABLE THE [REDACTED] MOVEMENT TO DEVELOP INTO A PARALLEL POLITICAL FORCE (WITH CORPORATE STATE OVERTONES IN ECONOMIC AREA) WHICH COULD COMPETE WITH EXISTING OPPOSITION POLITICAL PARTIES AND CONCEIVABLY COULD BECOME A DIVISIVE ELEMENT WITHIN THE OPPOSITION. HE IS ALSO APPREHENSIVE THAT OUR SUPPORT TO THE [REDACTED] PRIVATE SECTOR AT THE PRESENT TIME COULD BE CONSTRUED AS ABETTING THE COUP-MINDED FORCES WITHIN THE OPPOSITION AND PROVIDING TACIT [REDACTED] APPROVAL FOR A COUP. IN THIS CONTEXT IT SHOULD BE NOTED THAT WHILE THE MAJORITY

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OF OPPOSITION LEADERS APPARENTLY FAVOR MILITARY INTERVENTION, THE PRIVATE SECTOR (WHICH IS MOST IMMEDIATELY THREATENED BY U.P. ECONOMIC PROGRAM) IS IN THE VANGUARD OF THOSE ELEMENTS PUSHING FOR A COUP. FINALLY, AS A MATTER OF PRINCIPLE IS OPPOSED TO USING OUR FUNDS TO BUILD UP

BY USING THEM AS CONDUITS TO SUPPORT SEVERAL ORGANIZATIONS. HE PREFERS SEVERAL INDEPENDENT FUNDING CHANNELS TO THE PRIVATE SECTOR EVEN THOUGH THIS APPROACH IS LESS EFFICIENT.

IN GENERAL HOWEVER, DOES NOT SEEM TO BE OPPOSED AT THIS TIME TO ACTIONS WHICH MIGHT INTENSIFY OR PROLONG CURRENT POLITICAL CRISIS SO LONG AS CARRIED OUT THROUGH POLITICAL PARTIES AND THE MEDIA.

2. WHILE WE SHARE CONCERN ABOUT PRIVATE SECTOR ACTIVITIES REGARDING MILITARY INTERVENTION AND ARE LIKEWISE SOMEWHAT UNEASY ABOUT POSSIBLE COMPETITIVENESS BETWEEN POLITICAL PARTIES (ESPECIALLY PDC) WE FEEL STRONGLY THAT FINANCIAL

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SUPPORT TO THE PRIVATE SECTOR IS ESSENTIAL. IN THE PAST YEAR THE PRIVATE SECTOR HAS SHOWN ITSELF TO BE A POWERFUL FORCE CAPABLE OF APPLYING PRESSURE ON THE ALLENDE GOVT. MOREOVER IT SEEMS TO US THAT THIS SECTOR HAS AN EVEN GREATER POTENTIAL FOR IMPEDING U.P. ATTEMPT TO OBTAIN COMPLETE POLITICAL/ECONOMIC CONTROL OF CHILE. HENCE WE FEEL (AND HAVE FELT FOR SOMETIME) THAT IT IS A GRAVE MISTAKE NOT TO ATTEMPT TO STRENGTHEN THIS FORCE AS AN EFFECTIVE INSTRUMENT OF THE OPPOSITION. IF WE ARE TO BLOCK THE U.P. GOVT, WE CANNOT AFFORD AT THIS TIME TO IGNORE ANY VIABLE OPPOSITION GROUP CAPABLE OF APPLYING SIGNIFICANT PRESSURE AGAINST THE ALLENDE GOVT.

3. WE ARE NOT IN THE PROCESS OF PREPARING A MEMO FOR CONSIDERATION WHICH WILL OUTLINE HOW REQUESTED FOR THE PRIVATE SECTOR COULD BE BEST UTILIZED.

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4. WHILE WE EXPECT TO ENCOUNTER DIFFICULTIES WITH [REDACTED] ON ISSUE OF SUPPORT TO [REDACTED] PRIVATE SECTOR IT MAY BE SOMEWHAT EASIER FOR US THAN FOR HQS TO TRY TO CONVINCE HIS COUNTERPARTS IN [REDACTED] SINCE AMBASSADOR IS CLOSER TO THE SCENE AND BECAUSE OF THE HIGH LEVEL OF CONFIDENCE HE HAS IN THE STATION. HENCE IT IS OUR VIEW THAT IT WOULD BE BETTER IN HQS PRESENTATION TO [REDACTED] TO INCLUDE SUPPORT TO THE [REDACTED] PRIVATE SECTOR IN GENERAL TERMS, LEAVING DECISION ON SPECIFIC USE OF THESE FUNDS TO [REDACTED] DISCRETION ESPECIALLY SINCE EXACT USE OF FUNDS WILL DEPEND SOMEWHAT ON LOCAL CIRCUMSTANCES AT ANY GIVEN POINT IN TIME.

5. [REDACTED] WAS TO RETURN CHILE 25 JUNE. WE EXPECT TO BE R<sup>E</sup>ADY BY 29 JUNE TO REVIEW WITH [REDACTED] EFFORT AND DISCUSS [REDACTED] PRIVATE SECTOR SUPPORT. WILL ADVISE RESULTS SOONEST.

6. [REDACTED]